

THOMAS F. EAGLETON
MISSOURI

7-3-80

United States Senate

WASHINGTON, D.C. 20510

July 2, 1980

Mr. Alan K. Campbell
Director
Office of Personnel Management
1900 E Street
Washington, D.C. 20415

Dear Scotty:

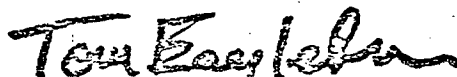
As you probably have learned, the whole Senior Executive Service concept almost went "down the tubes" last night in the House-Senate Conference on the FY'80 Supplemental. It was the very last matter resolved in the early, early morning hours.

The House conferees were furious at the way NASA had prostituted the SES concept. We finally agreed on a 25% maximum without a cap.

If several of the agencies come in at 25% or 24.9% or 24.8% or anything like that indicating a disregard for the SES concept as previously demonstrated by NASA, then I predict that you can "kiss SES goodbye."

For God's sake, see to it that good judgment is used in this matter.

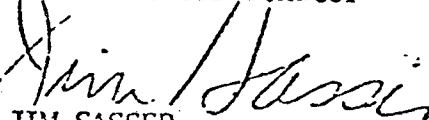
Yours very truly,



THOMAS F. EAGLETON
United States Senator



WARREN G. MAGNUSON
United States Senator



JIM SASSER
United States Senator

CC: Dr. Robert A. Frosch

*Info furnished to
OSD 7-14
State 7-15*

8/6/80

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. EA/PPPM		
2.		
3. AD/PPPM		
4.		
5. Ray (SIS)		

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

Per AD/PPPM request (5 Aug.), attached is the Senator Eagleton letter and other related material AD/PPPM may wish to forward

STATto

D/PPPM forwarded to
DSCI on 29 July 80.

STAT

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

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OPTIONAL FORM 41 (Rev. 7-76)

FROM:

Sally H. Greenberg
Associate Director
Executive Personnel and Management Development
Office of Personnel Management
Washington, D C. 20415

July 28, 1980

Attached for your information is a
copy of a letter that has been mailed
to all Senior Executive Service members
regarding the payment of performance
bonuses from Director Campbell.

Sally H. Greenberg

United States of America
**Office of
Personnel Management**

Washington, D.C. 20415

July 25, 1980

In Reply Refer To:

Your Reference:

Dear Senior Executive:

Several weeks ago, I advised you that Congress rejected a determined effort which would have eliminated meaningful performance bonuses for members of the Senior Executive Service in fiscal year 1980. As you will recall, opponents of the bonuses sought to restrict pay-plus-bonuses to a maximum of \$52,750. After much debate in Congress, and with strong personal support from President Carter, Vice President Mondale, Cabinet members, and many others, a fair compromise was won. The compromise removed the \$52,750 pay-plus-bonus cap, but reduced the maximum number of SES members that could receive bonuses from 50 percent to 25 percent. I now am pleased to report that the House, in action on the 1981 Legislative Budget, has reaffirmed the compromise, and the Senate is expected to do the same.

Because of your understanding of the legislative process and the pressures under which it operates, you no doubt fully appreciate the hazards encountered by the bonus concept in recent weeks. The easy decision for Congress to make would have been to eliminate the bonuses altogether. Every vote that is taken these days is carefully scrutinized within the context of election year rhetoric (which frequently attacks the Federal bureaucracy); of public opinion polls which show only a 14 percent confidence rate in the Government; and of the need for fiscal constraint and inflation fighting measures. In view of these facts, the vote to allow awards of up to \$20,000 for public service executives already in the top 2.6 percent in terms of average annual family income in the U.S., at a time when the average American family income is just \$15,000, can be interpreted in only one way -- Congress is continuing to support civil service reform.

I am aware that there are some of you who feel strongly that this compromise is inconsistent with the commitment Congress had made in the original legislation. However, the fact that bonuses were retained is a clear signal that Congress recognizes and appreciates the services of efficient, productive senior officials and wants to support, despite pressures to do otherwise, the Senior Executive Service.

It is important to understand that the legislation did not require, or even encourage, Departments and agencies to give bonuses to a full 50 percent of SES positions. Rather, the legislation said that Departments and agencies could give bonuses, if earned, to up to 50 percent of their SES membership. The 50 percent figure was a ceiling, not a goal. In fact, in planning for this year, we estimated that Government-wide, no more than 35 percent of SESers would receive bonuses. Bonuses never were intended to be used as substitute pay raises. I recognize and share your frustrations over pay caps and pay compression, but bonuses cannot and will not be the way we will solve those problems.

There is a substantial difference between technical conformance with the law and the exercise of judgment in the administration of the law. The recognition of this difference by executive decisionmakers, and whether we comply with both the letter and spirit of the law, will determine whether the central

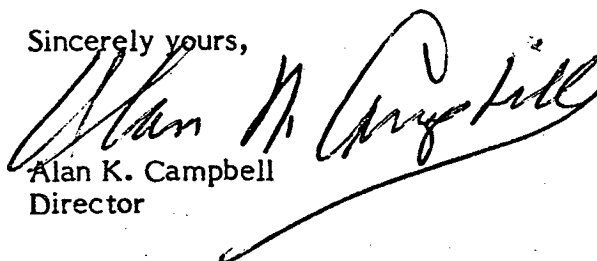
philosophy of the Civil Service Reform Act of decentralization of personnel authority to Departments and agencies will, in fact, work. That test has not, by any means, yet been met. The bonus system has been saved and it is now our task to demonstrate we can responsibly administer it. I believe, when this is demonstrated, Congress will allow the system to operate as envisioned in the Civil Service Reform Act.

Because of congressional concerns and my strong desire to preserve the SES bonus system I have issued new guidelines governing bonuses. I did this only after it became apparent that such guidance is essential if the bonus concept is to be retained. I have enclosed a news release which describes these guidelines, along with a Washington Post article describing the background which led me to issue them. The letter mentioned in the article from Senators Eagleton, Sasser and Magnuson, who I might add, are friends and supporters of the SES, is illustrative of the depth of Congressional concerns.

Finally, on a personal note, may I express my appreciation to all of you who have either spoken or written to me about your commitment to the entire civil service reform effort and particularly, your appreciation of the President's efforts to retain the bonus system. These expressions are particularly welcome, since the environment in which we all operate is much too frequently characterized by carping criticism rather than by supportive and constructive comment. The work you do is of fundamental importance to this country. I believe that the commitment, dedication, and quality of performance which characterizes the members of the Senior Executive Service is one of the country's greatest assets.

Warm regards.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Alan K. Campbell", with a long, sweeping underline that extends to the right.

Alan K. Campbell
Director

Enclosures



United States
Office of
Personnel
Management

1900 E. St., NW
Washington, D.C. 20415
News Unit, Room 5F10
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NEWS

FOR IMMEDIATE RELEASE
Tuesday, July 22, 1980

FOR INFORMATION
John Scholzen

OPM ISSUES TOUGHER SES BONUS GUIDELINES

(Washington, D.C.) The Office of Personnel Management (OPM) today issued guidance to Federal agencies putting greater restrictions on the number of Senior Executive Service members eligible to receive performance bonuses and the size of the bonuses to which they are entitled.

There are two major provisions of the guidance, which is contained in a memorandum to heads of Departments and agencies.

1. It establishes 20 percent of eligible career employees as the number of people to which agencies generally should limit bonus payments.
2. It restricts payment of the 20 percent of salary maximum bonuses to no more than five percent of those receiving bonuses, and limits bonuses in excess of 12 percent of salary to a maximum of one quarter of all bonus recipients.

In exceptional cases, agency heads may appeal to the Director of OPM for a waiver of the new guidelines.

Alan K. Campbell, OPM Director, said: "In recent weeks, through action on the 1980 Supplemental Appropriations Act, the Congress reduced from 50 to 25 percent the maximum number of career executives who could receive bonuses. Congress also came close to putting a cap on pay-plus-bonuses for SES members that essentially would have eliminated the possibility of a meaningful bonus system. These events clearly demonstrate that although Congress approved overwhelmingly the Civil Service Reform Act which authorizes bonus incentives for outstanding achievements by the Government's top managers, there remains great concern over possible misuse of the bonus awards."

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"I maintain the belief, which I always have held, that the Departments and agencies will demonstrate care and responsibility in awarding SES bonuses. I am confident that, in complying with these new guidelines as they make their first performance awards, the Departments and agencies will prove once and for all that the SES bonus system is fair and effective. They thereby will confirm the Congress' wisdom in enacting the original SES bonus system as an incentive for more efficient Federal management, and encourage a return to the full provisions of that system in the future."

→ Campbell also encouraged every agency to use people from outside the agency on its Performance Review Board, the board which recommends the number and distribution of awards to the agency head, as a means of insuring objective bonus determinations.

The guidance also states that, while career senior executives are eligible for both bonuses and Meritorious and Distinguished Presidential Rank Awards, in general, agencies should avoid giving multiple awards to a single SES member in a year. In addition, it requires agencies to publish a notice in the Federal Register of their schedule for awarding bonuses at least 14 days prior to payment.

There are approximately 7,000 members of the SES, which came into being July 13, 1979. The President called the new personnel system for top managers the cornerstone of his civil service reform efforts.

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Grps: OPM-125, OPA 3-4, 8-9,12,15,26

Washington Post July 23, 1980

The Federal Diary

By Mike Causey

Guidelines Limit Those Top Bonuses

The bonus system for 7,000 career government executives has been rescued from premature burial by Congress—but at a price.

Instead of the program that promised half of Uncle Sam's top-paid career people a shot at big industry-style financial rewards, the Office of Personnel Management has issued guidelines that limit bonuses to no more than one of every five members of the Senior Executive Service. Most live and work in the Washington area.

Idea is to convince suspicious members of Congress that the bonus system, created by the president's civil service reform act, won't turn into a financial buddy-system, with top bosses handing out big cash benefits to one another.

When Congress created the SES—the high-risk, high-reward elite corps of supergrade bureaucrats—it agreed to a first-time system that would allow agencies, and the president, to reward up to half the SES workforce with some kind of annual extra payment, up to \$20,000 or 20 percent of salary in some cases.

Congress has had second thoughts about the bonus system, and became enraged when the National Aeronautics and Space Administration—one of two agencies that first paid bonuses—came up with a long list of winners.

The effect, during a political austerity year, was to persuade Congress to slap a pay freeze on top U.S. officials, and gut the bonus system to little more than a couple of weeks' salary, rather than the big payoffs

promised.

House members of a Senate-House conference on a supplemental money bill (including funds to finance the SES bonuses) were so ticked off at the size and number of NASA bonuses that they wanted to kill the program altogether. Sens. Thomas Eagleton (D-Mo.), Warren G. Magnuson (D-Wash.) and Jim Sasser (D-Tenn.) persuaded their House colleagues to keep the bonuses and limit them to no more than 25 percent of the SES work force. The conferees set a maximum 1980 limit pay-bonuses for SES members at \$69,630. Most SES members get \$50,112.50 in salary.

With the bonuses for 1980 saved, Carter aides began lobbying to retain the program for the 1981 fiscal year. It begins Oct. 1.

Next step was to make sure that the bonuses were not chopped, or eliminated, for the upcoming fiscal year. The Senate is agreeable to the program, so the lobbying was centered on the House this week.

Rep. Adam Benjamin (D-Ind.) had been the primary critic of the bonus system. OPM director Alan Campbell visited Benjamin to assure him that OPM would monitor the program. Benjamin agreed to give the bonus system another chance. With that, opposition to the bonuses evaporated. The House late Monday evening okayed the bonuses for the fiscal 1981 year. The same pay-bonus limit of \$69,630 applies.

That will be important since Congress plans to freeze the salaries of all top government executives, meaning they will not get any regular pay raise this October at a time that other white collar workers will get increases.

Campbell's directive to agencies—telling them to limit bonuses to 20 percent of their career SES personnel—is intended to make sure that nobody even comes close to the 25 percent limit Congress has imposed.

To back it up, Campbell will be sending copies of a letter he received from Sen. Eagleton, who is in line to take over the Governmental Affairs Committee next year. Eagle-

ton's letter, demanding maximum application of horse sense to the bonus system, warned that the entire SES reward system almost "went down the tubes" because of the way "NASA prostituted the SES concept." He finished with this warning:

"If several agencies come in at 25 percent, or 24.9 percent or anything like that indicating a disregard for the SES concept as previously demonstrated by NASA, then I predict that you can kiss SES goodbye."

"For God's sake," Eagleton warned, "see to it that good judgment is used in this matter."

Personnel Management

Washington, D.C. 20415

In Reply, Refer To

Your Reference

July 21, 1980

MEMORANDUM TO HEADS OF DEPARTMENTS AND AGENCIES

The Office of Personnel Management, with the advice of other agencies, has prepared the following guidance in respect to awarding Senior Executive Service performance awards (bonuses). In part, this guidance reflects the appropriation act limitation restricting the proportion of SES members who may receive bonuses to no more than 25 percent of the number of SES positions in the agency. In addition, we are responding to strong Congressional concern that the 25 percent be viewed as a ceiling. We are therefore enunciating guidance on the number and distribution of awards which we strongly recommend agencies to follow. GAO in cooperation with OPM has been directed by the Congress to do a thorough study of bonus payments. Any agency which chooses to award bonuses in excess of the number or distribution recommended below must consult in advance with the Director of OPM.

1. Number of Awards

Agencies are limited in payment of bonuses to a maximum of 25 percent of SES positions. The Congress has made it clear that the 25 percent figure is to be a limit, not the norm. Agencies should generally limit bonuses to 20 percent of the eligible career employees. If the agency head feels a higher proportion is essential, he or she must consult with the Director of OPM.

2. Distribution of Awards

In deciding the amount of bonus to be paid, agencies with 100 or more career Senior Executives should not exceed the limitations shown below. These limits cannot be rigidly applied in small agencies, but should be considered as general guidelines.

- (a) Bonuses of 20% should be limited to no more than 5% of those receiving bonuses.
- (b) Bonuses of 17-20% should, in total, be limited to no more than 10% of those receiving bonuses.
- (c) Bonuses of 12-20% should, in total, be limited to no more than 25% of those receiving bonuses.

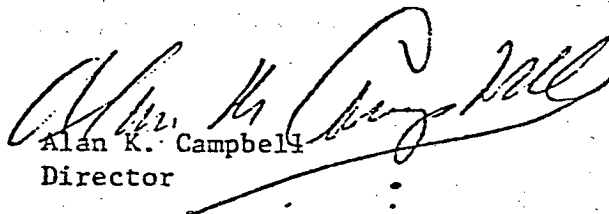
3. General Procedural Recommendations

(a) One area about which a number of legislators were concerned was the perception that members of Performance Review Boards would be taking care of themselves and their friends in the awarding of bonuses. We do not believe that this concern has substance, but to further add to the objectivity of the review process, an agency may wish to include on its PRB panel one or more members from another Federal agency. OPM will maintain a list of experienced career Senior Executives who could serve on PRB's across agency lines if the agency so requests. This same procedure might well be useful in the future in passing on proposed nominations for Meritorious and Distinguished Presidential Rank within an agency.

(b) Each agency should publish a notice in the Federal Register of the agency's schedule for awarding bonuses at least 14 days prior to the date on which the awards will be paid.

(c) Career Senior Executives are eligible for both bonus and rank awards. In general, agencies should avoid giving multiple awards to a single SES member in a year.

The SES system provides agency management with an unprecedented level of discretion. It is vital that this discretion be used responsibly to establish a sound foundation for the future.


Alan K. Campbell
Director